Chapter I

Introduction

Globalisation is a multidimensional process that includes social, political, cultural and economic aspects. However, in the 1990s, in the context of the global expansion of the capitalist mode of production, liberalisation and privatisation, the economic and social dimensions of the globalisation process became the nucleus of the debates. The sphere of debates has shifted from national to global because the spread of capitalist relations of production has enlarged as well as integrated the space at a global level. This has automatically reduced the ascendency and sovereignty of state even within the domestic sphere. Under these circumstances, the study at large discusses the changing dynamics and dimensions of social development in the age of globalisation with special reference to Egypt and India.

The neo-liberal developmental agenda introduced by India and Egypt in the 1990s created an atmosphere where the market could gain an upper hand in the overall economy. Further, this has limited the role of State in the social sector. The capitalist pattern of development and free market economy on the one hand and the retreat of State from its social responsibilities on the other has created severe social crisis in these States. Given this context, this thesis underlines the importance of State as an actor in the social sector and its primacy in the social development of developing countries.

This chapter presents a broad outline of the thesis and briefly explains the major themes and concepts in the study and put them in the broad framework of the current debates on social development and globalisation. Similarly, the chapter discusses the changing dimensions of the concept of development and the linkage between social development and social capital in the new global context of fast spreading neo-liberal development strategy in the developing countries. An overview of the socio-economic development patterns of Egypt and India from early colonial period to 1990s has been done to contextualise globalisation and the structural adjustment and social development both these states have underwent.
I Introduction

Globalisation projects the dynamics of the development and intensification of networks of global consciousness, system interdependence, human interaction and societal changes and their far-reaching consequences (Guazzzone 1997; Hoogvelt 2001; Held and McGrew 2000; Held et al. 1999). It has reshaped the spatial organisation of social relations at every level from local to global (Massey 1992: 6). Infrastructure for communication and transportation has advanced dramatically, connecting countries, peoples, groups and institutions in novel ways. Resultantly, the intensity, speed and volume of communication at the global level have improved tremendously since the Second World War (1939-45). Advancement of technology has boosted the idea of a 'global village' and electronic media has significantly reduced the barriers of 'space and time' in human communication.

In other words, the global broadcast of radio, television, the internet, satellite and digital technologies have made direct communication possible across continents and removed many controls over information. This has enhanced the interaction between people living in far-off places and from diverse cultural backgrounds. This made it possible for people to interact and live on a global scale. The concept of the global village has become a reality. As a result, the debates on social development also have a global character. The way various international organisations facilitated and popularised this debate points to such a changed reality.

Globalisation in the present scenario is primarily a product of the technological and communication revolution that facilitates the global restructuring of capitalism. During 1970s and '80s, developing countries all over the world started to bring in certain measures to attract foreign capital and technology in order to amplify the processes of industrialisation and modernisation (New Quest 2004: 262). This has fundamentally changed the economic orientation of those States towards a market-led free trade regime. This ensured the entry of the State into a highly competitive global

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1 Academic writings in the nineteenth and twentieth-century had made many significant references of a vague, yet widely shared understanding on globalisation that experiences distance and space that are inevitably transformed by the emergence of high-speed forms of transportation. It is very clear that, Rail and Air travel and electronic communication dramatically widen the possibilities for human interaction across existing geographical and political divides (Harvey 1989; Kern 1983).
market created by a new deregulating mechanism to draw investment and the outsourcing of production to distant places.

Various groups and institutions engaged in the process of globalisation have defined the term in different ways. The International Monetary Fund (IMF) and World Bank definition focuses on the fundamental aspect of integration in current globalisation. According to the IMF, globalisation is "(the) growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, freer international capital flows, and more rapid and widespread diffusion of technology" (IMF 1997: 45). World Bank emphasises on the freedom and capacity of individuals and firms to instigate voluntary economic transactions with residents of other countries, that globalisation has brought in (World Bank 2001).

Similarly, the International Forum on Globalisation (IFG) defines it as "the present worldwide drive toward a globalised economic system dominated by supranational corporate trade and banking institutions that are not accountable to democratic processes or national governments” (IFG 2006). What is common in all these definitions is the emphasis on expanding relations - economic (mainly trade and commerce), social and cultural – with people across the border.

As we can see, globalisation does not constitute a separate discourse altogether. It is an amalgam of different discourses predominant of our time (Paolini 1997: 34). The word itself is pregnant with a number of definitions each concentrating on the different aspects of the process. The term often signifies different things to different people and it is factual to say that there is lack of clarity in many contexts in the discussions on globalisation. However, there is a consensus among the majority of scholars regarding the meaning of the term that it is a process, which integrates economies and societies through cross-country flow of information, ideas, technologies, goods, services, capital, finance and people.

The present research aims to study globalisation, a process that indicates the developments that have taken place since 1991, with the introduction of liberalisation policies by various governments all over the world under the guidance of IMF and World Bank. As a result of globalisation, more countries are getting incorporated into
the global economy through cross border expansion of trade, free trans-national flow of capital, information and the advances in communication technology (Held et al. 1999; Castells 2000). As far as the economic dimension of the process is concerned, the process has reached the present stage through various rounds of trade negotiations under the auspices of General Agreement on Tariff and Trade (GATT) since World War II. This led to a series of agreements signed between States to remove barriers on 'free trade'. The creation of free trade zones and promotion of free trade of goods and services by the reduction or elimination of tariffs and control over the mobility of capital were the essence of such agreements (IMF 1997; 1997b). The clauses in Trade Related Investment Measures (TRIMs) has regulated and monitored this process in the global level. Similarly, the agreement on Trade Related Intellectual Property Rights (TRIPS) has created common intellectual property laws across nations and offered supranational recognition of intellectual property rights.

The complex nature of globalisation with its deepening tendencies raises new challenges in the realm of the social development of developing countries. Current globalisation also projects certain highly complex and contradictory set of institutions and social relations which intensify this infinite flow of goods and services, and people and their cultural forms across national borders (Kellener 2002: 285-6). Given this background, this study, at a very basic level, builds an overall understanding of the dynamics of social development in Egypt and India in the globalisation era. In Egypt and India, nascent democratic practices together with the weakness (or absence) of effective civil society institutions and the inefficient and undeveloped political institutions under progressive nationalist regimes have historically enhanced the domination of state/ruling elites in the socio-political and economic domains of society (Hitti 1994).

The context in which economic reforms were introduced was similar in Egypt and India. The state-led development strategies followed by both these States since independence came under sharp criticism by early 1980s due to internal disorganisation, inefficiency and corruption along with the increase in external debt. The debt problem had created a major crisis that even questioned the survival of

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2 Though States are free to make their patent laws, it has to be done within the general framework created by WIPRO, so that it may be acceptable to other States also.

3 It is a general Third World phenomenon caused by immature state-institution building under colonialism.
public sector industries of these States\(^4\). The unfavourable conditions in balance of payment and the serious debt problems had forced the governments of these countries to follow the World Bank instructions based on Structural Adjustment Programme (SAP).

The new economic policies and the Structural Adjustment Programme were introduced in Egypt and India in the same time - May 1991. The stated objective was to resolve the crises facing the respective economies mired in fiscal problems and low economic growth. India and Egypt signed the accord with IMF in the year 1991 for setting out policies to reduce public expenditure as a way of limiting the budget deficit, which had risen to an undesirable level by that time. Many contractive fiscal and monetary measures were taken to handle the situation. It not only ruled out the chances of more state allocation for social sector but also reduced the government spending for social development. Consequently, the share in government expenditure for subsidies – especially social welfare subsidies - went down significantly in these States. Since the hegemonic role of state put itself in a place above and outside the society, the sudden retreat of state from the social sector has reflected in the form of social tensions and deprivation of a huge population who stay at the lower strata of the society.

This is a theoretical study analysing the changing patterns of development orientations of the States as part of the changes in the global economy. A comparison of the state policies, especially in the social sector, in the pre-1990s and 1990s make it clear that both these States have adopted certain fundamental changes in their socio-economic policy orientations. As mentioned, Egypt and India had followed a state led development model in the initial stage and tried to ensure basic social services to the people. However, an ideological shift had taken place in the developmental orientation - during 1970s in Egypt and 1980s in India - that became more expanded and deepened in the 1990s with substantial changes in the economic policies and developmental orientations of these two States (Amin 1998; Springborg 1990: 447; Chakravarty 1987; Dasgupta 2005). The diminishing role of the state in social sector is the most important aspect of all these policy changes.

\(^4\) The high government spending with low priorities to social development and the failure of state to convert economic growth into total welfare of the people were two major issues in social development in all developing countries during 1980s.
The new economic policies and the SAP introduced in the year 1991 were intended to meet the fiscal problems as well as to counter low economic growth. Egypt and India had initiated many new programmes and policy reforms as part of the SAP, such as decentralisation of economy, intensification of market mechanisms, liberalisation of foreign trade, activation of capital markets, cutbacks in welfare programmes, privatisation of public sector enterprises and devaluation of currency (Bhagavati and Srinivasan 1994; Ghosh and Chandrasekhar 2002; Joshi and Little 1996; World Bank 2001b; Baker 1999; CSDC 2001; Clement and Springborg 2001). These were the primary steps taken by the States for the integration of national economy with the global market system.

The importance of SAP and the further intensification of the economic liberalisation process in Egypt and India is that it has formalised the relation of the States with world market and has rewritten the association between States and international financial institutions and private markets. As a result, the relationship between national and global economy became very close. Gradually, state has lost its primacy in economic decision making, even at the domestic level.

The debates on the changing role of state in the national economy in general and social development in particular are helpful to understand the new programmes and policies in development. Largely, this study aims to develop a general understanding of the new development model proposed by international economic institutions like World Bank and IMF. While undertaking a comparative analysis of the impact of globalisation on the role of state in social development in Egypt and India - two States having contradictory political structures - the study explores how far the political structure of a country regulates and mediates the rate and flow of globalisation and its impact on the society. To put it another way, the study examines whether the difference in the political structure influences globalisation/liberalisation proposed by international institutions that are now the major proponents of the new social development strategy.

This study tries to expose whether the common measures proposed under SAP can generate similar impacts in countries having different political systems. Egyptian political system/structure is an authoritarian political system and India is following a democratic system for about the same period. In this context, a comparative study
between Egypt and India in the given period would be significant as the social development patterns of both these states are increasingly influenced by globalisation and guided by SAP. In sum, the study also analyses how far the differences in the political system of Egypt and India could influence the pace of globalisation, taking into consideration its social impact.

The period under this study (1991-2001) indicates the completion of the first decade of globalisation/liberalisation experiment as far as Egypt and India are concerned. This study makes an effort to put some light on both the multiple impacts of the new policies and programmes on the economy and society of the States under study and to the direction in which the process moves. The study is relevant as it aims to portray the way the new measures influence the pattern of social development of Egypt and India in the given period along with the impact it created in the social sector of these States. Therefore, the current study, a comparison of India and Egypt based on wider structural changes in their social development programmes, would help to understand the problems and prospects of such a developmental pattern proposed by international economic institutions as part of neo-liberal globalisation process.

The study analyses the general trends in social development in Egypt and India. Education/literacy rate, health condition, poverty, unemployment rate and the distribution of income are the major social indicators used in the study to understand the trends in social development in both these states in the given period (1991-2001). Gender gap (male - female gap) and rural – urban disparities in development has also given attention in social development assessment. These indicators are accepted as the basic social development indicators in most of the social development debates globally. Much attention has been given to education, health and employment in the social policy of almost all states in the world as it serves the overall social development. These indicators are taken with an understanding that those are useful to develop a comprehensive picture of the issues and trends in the social development of Egypt and India in the liberalisation period.
II Socio-economic development in Egypt and India: A historic overview

India with its total area of 3,288,000 square kilometres is located in South Asia. This region is one of the most underdeveloped regions in the world. Out of the huge number of underprivileged in the region, a substantial share is residing in India. The feudal mode of production is predominant in the agriculture sector of the country on which majority of the people depend for their livelihood. At the same time, India is also carrying the features of an advanced developed-industrialised economy. Therefore, one can see the features of a developed capitalist economy and high social and technological advancement in India. This basic contradiction is visible in almost all spheres of socio-economic life of the people.

According to the estimates of 2005, the total population of India is 113.4 crores. This is almost 15 percent of the total population of the world. The state has recorded an average 4.5 per cent annual GDP growth during the period 1990-2005. The per capita GDP of the country is Rs. 3452 (HDR 2007). Around 68 per cent of the population in India resides in the villages and majority of them are engaged in agricultural activities. Poverty and other social maladies are very high among the agricultural labourers. On the other hand, it is also interesting to note that the number of rich-middle class population is very high in India and certain estimates show that this is more than that of the population of United States, the most powerful economy in the world. The aspect that gets particular attention here is that, in India, the share of income of the rich class has increased ever since the introduction of liberalisation policies. That is the economic growth that the country achieved through privatisation and liberalisation policies is not beneficial to the majority of the poor.

Compared to India, Egypt is a small country, both in terms of territory and population. The country is located in North Africa having an area of 997,739 square kilometres with a density of 81 people per square kilometre. The state has 26 Governorates. According to the estimates of 2007, the total population of the country is 80,264,543. The share of rural population is 58 per cent in Egypt – 10 percent less than that of India. The percent of population resides in the cities is 42 and most of them stay in the three big cities of Cairo, Giza and Alexandria. Only 14.9 percent of the share of the GDP is from agriculture whereas it is 49 percent from service sector and 35.1 percent from Industrial sector. A significant factor related to the social
development of the country is that Egypt is having a high urban poverty rate than that of rural poverty.

Both these States were colonies of the British Empire until the mid 20th century. Colonialism had critically influenced the development of institutions and models in state building all over the 'rest of the world' and the colonial legacy is still a dominant element in the functioning of all such institutions and models (Alavi 1989). A careful analysis of the developmental experiences of post-colonial regimes in Egypt and India also make this clear.

The economic system of India in the pre-colonial and early colonial periods was based on agriculture and small-scale cottage industries like cotton-textile, food processing and handicrafts. The development of small urban centres and the growing interaction between people in such centres had eventually developed a kind of economic system. However, this was negligible because a vast majority of the people resided in villages, which were predominantly self-sustaining as well as closed to the rest of the world, even though they provided raw materials for industries in urban centres (Desai 1948). Though coin system gradually replaced barter system in other parts of the country, most of the villages remained under barter system for a long time.

System of caste and sub-castes and its importance in economic activities in the form of division of labour/occupational specialisation was another important characteristic of pre and early colonial society in India. The caste system was very inflexible that it prevented any kind of mobility of labour, one of the essential components for the development of a modern socio-economic system.

European colonial interests intruded into Egypt very late as compared to India. A powerful national bourgeois movement had developed in Egypt in the late eighteenth century with the weakening of the Ottoman Turkish control over Egypt. In fact, this movement had laid the foundation of industrialisation in Egypt (Carr 1979). Mohammad Ali – the powerful ruler of Egypt had promoted this national bourgeois movement with the state as the leading agent. He wanted to transform the agrarian economy of Egypt to a state based industrial economy so that Egypt would no more be a supplier of raw materials to Western powers. Though it was a very successful
exercise, it could not last long. The ‘open door economy treaty’ signed by Britain and Turkey opened a channel to Egypt for Western powers (Zaalouk 1989: 2-3). Consequently, the British colonial interests penetrated into Egyptian economy. The collapse of Mohammad Ali’s regime ultimately destroyed the national bourgeoisie and transformed Egyptian economy to an economy subservient to the West.

Under British imperialism, the West had maintained Egypt as a dependent export economy since the second half of the 19th century. However, unlike India, Egyptian economy had remained under the colonial control for a very short period - nearly around seventy years. With the political change in 1919, the nationalist bourgeoisie re-emerged and as the culmination of this, by 1950s, a new programme - Egyptianisation of the economy - was brought in under the Nasser regime (O’Brien 1966; Sabry 1961). What is important here is that, the capitalist development introduced in Egypt was state-directed and the entrepreneurial class who controlled this was bureaucratic in nature. Uniquely, being an export based economy; Egypt had been already incorporated into the capitalist world economy.

In India, with the entry of Europeans into the local market, trade and commercial activities had undergone a total transformation. Gradually, the British established their domination in India and subverted the existing economic system according to the demands of their economy. The colonial administration had concentrated more on the exploitation of resources than developing infrastructure. Indian economy was restricted to supplying raw materials required by British industrial and commercial firms. This led to the collapse of Indian agriculture, rapid drain of wealth from India and the subsequent pauperisation of Indian economy. This pattern had remained until the end of the colonial period, except for a slight deviation that a small bourgeois class emerged in India in the due course that had their own economic interests (Bardhan 1984; Mukherjee M. and Aditya Mukherjee 1988). However, at large, in the overall economic activities one could see the shadows of colonial interests.

The achievement of political independence had completely changed the orientation of the national economy of Egypt and India. Both States had launched an

5 Popularly called national bourgeoisie in nationalist discourses, but better known as comprador bourgeoisie in Marxist terms.
independent development programme in the same period, early 1950s, with an extremely interventionist role of state. What they clearly followed was one of a ‘socio-economic’ development model – not just an ‘economic’ development model. The socio-economic elements clearly combined in the development policy of both the States. The economic and social policies introduced were more close to socialism – *Etatism* in Egypt and ‘mixed economy’ in India – and the States tried to ensure essential social services to people.

State centralism was the major characteristic of Egyptian economy during the Nasser era. He had introduced aggressive socialist policies to consolidate state power and rein in the economy (O’Brien 1966 cited in Zaalouk 1989). His land reforms and nationalisation policies curtailed the power and influence of bourgeois class and capitalist groups (Sabry 1961). Almost all post-colonial States preferred this pattern as it was very essential to consolidate state power in the hands of the new ruling class. The socialistic pattern of the State essentially helped the regimes to strengthen their place in the segments of state power. Even in the midst of the chaos created by the wars of 1950s and 1960s that burdened the Egyptian economy, Nasser continued with his policies.

India had followed the system of a control-and-command economy since 1951 and continued for almost four-decades. This was based on the development policies as outlined in the Five-Year Plans. The following were the major socio-economic objectives that remained unchanged under the five year plans though the priority of these objectives changed with each plan period: (a) to increase aggregate consumption, (b) to reduce unemployment, (c) to work towards self-reliance and self-sufficiency and (d) reduction in disparities (Mehta 2004).

Much emphasis had been given to industrialisation and building infrastructure (including social infrastructure) for development under the planned economic development model in the early decades of independence (Bhagvati and Desai 1970; Chakravarty 1987). The new policies introduced were more socially oriented. This model was popularly called the ‘mixed economy’. The leading role of State in

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6 Nasser’s aggressive socialist policies including land reform in Egypt and similar policies taken by Nehru-Indira governments in India are the best examples of the regimes to consolidate power by weakening the traditional power groups like landed aristocracy.
economic planning was the major feature of this pattern of development (Bagchi 1997; Chandra 2000: 341; Raj 1965). However, the private sector led by national bourgeoisie was also given space in Indian economy as per the Bombay Plan of 1944, which is considered as the base document of economic and industrial development in the independent India. Though the private sector was allowed to engage in production, in reality, it was completely dominated by the State.

The trends and patterns of trade and industry policy of India in the initial decades of independence show that, trade policy had strong bias to import substitution (Patnaik 1997). Import control mechanisms were introduced and protection from imports was afforded to almost all manufacturing activities. In 1977, two additional orders, namely, the Import Control Order and Export Control Order, added to the existing laws (Mehta 1997). This legislation had remained the base of annual policy of imports and exports in the subsequent years. Later, government of India had announced a long-term trade policy in the year 1985 and some concrete steps were taken in connection with economic reforms.

In Egypt, the first stage of the switch-over of economy to liberalisation took place in 1973 and it was popularly called infinitah or ‘Open Door Policy’. Many fundamental changes were ushered in at this stage, including the removal of restrictions over foreign capital investment (Hussein 1979; Hinnebusch 1985; Carr 1979). However, the vital control of state over the national economy had remained unchanged. The period between 1977 and 1986 was a phase of fast growth of the Egyptian economy. This period witnessed significant decline in external debt, government budget deficit and rate of inflation. However, the amazing growth in Egyptian economy was neither the result of the open door policy nor of the increase in domestic production, but an outcome of the increase in the oil prices in international market (Amin 1998: 47). The impacts of oil price increase on Egyptian economy can be clearly seen in the multiplied remittances into three times - from $1 billion to $3 billion and the increase in income from oil that multiplied more than ten times - $162

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7 The two main documents namely, (a) Export and Import Policy and (b) Handbook of Procedures outline the trade policies of the state since 2000.
million to $2 billion: and foreign exchange that multiplied five times - $2 billion to $10 billion (Amin 1998: 42).

India had continued its planned economy model till mid 1980s based on state-led rapid industrialisation policies and continued state control over foreign capital (Bhagwati 1994). However, this mixed economy approach was increasingly criticised due to the crisis in public sector because of lack of competency, mounting external debt and excessive corruption. The policy makers realised that state controlled economy was not able to create the required results even after 40 years. This ultimately persuaded the regimes in India and Egypt to accept the conditions of IMF and World Bank to avail Structural Adjustment Loan (SAL) to overcome the severe financial crisis.

In this context, the Indian state had also moved towards liberalisation policies under the rule of Rajeev Gandhi who initiated certain new measures like opening of economy to foreign capital and technology. The liberalisation measures adopted in India initially, as in the case of Egypt, were not comprehensive. But, both States had shown a tendency to swing towards an open market economy (Jalan 1992; Bardhan 1998; Chandra 2000; Dasgupta 2005; Clement and Springborg 2001; Bayet 2002; Koptiuch 1999). This shift towards a liberal economic policy had found its full strength in the early 1990s with the Governments of India and Egypt announcing a series of packages of stabilisation and structural policy reforms (Bhagwati and Srinivasan 1993; World Bank 1994).

This was certainly a major departure from the relatively protectionist economic policies pursued until the early 1980s in India. While the objectives of self-reliance and self-sufficiency had influenced economic policy formulation in the 1950s and 1960s, factors like export-led growth and efficiency improvement and competitiveness of Indian industries guided the economic policy-making during the late 1970s and the early 1980s (Chakravarty 1987; Dutt 1996). However, the measures taken by States were mainly due to the pressure from domestic compulsions. And these measures created an adverse situation with regard to the balance of payment, social development programmes and debt problems in the subsequent years (Patnaik 1997; Bhaduri and Nayyar 1996; Dasgupta 2005).
The signing of SAP agreement with IMF and World Bank in May 1991 is considered as the second stage of economic reform in Egypt and India (Sayyid 2002; Koptiuch 1999; Joshi and Little 1996). The uniqueness of SAP is that it was implemented within the States as per the guidance of an external agency – that is IMF – and it was part of a wider neo-liberal plan to spread globalisation of market economy to the peripheries of world capitalism. As it is clear the States under this study have taken identical measures to address the crisis. There was a common programme with the international economic institutions to execute over the States who approach for loans and other kinds of financial assistances.

The current economic policy reforms, on the other hand, are guided mainly by concerns regarding the globalisation of economy, improving internal and external competitiveness, private sector participation and removal of inadequacies or constraints (Joshi and Little 1996; Bardhan 1998; Korayem 1993). In this connection, India took a number of steps towards stabilisation and structural adjustment, supplemented by reforms. In the industrial sector, reforms emphasised on the removal of distortions in resource allocation and efficiency enhancement. This included the removal of industrial licensing, reduction in the number of public sector monopolies, a liberal investment regime, automatic foreign investment, the removal of quantitative restrictions on imports and a consistent decline in average and peak import tariffs (Mehta 2004; Dasgupta 2005; Ghosh and Chandrasekhar 2002; World Bank 1996a).

The process of reform had reached its climax by the introduction of SAP. This second stage of reform was more comprehensive and took place in an extremely different national and international context. It was formally launched in 1991 with the structural adjustment package of World Bank and IMF. The conditions in the package were more or less same to all countries (apparently, almost all of them were developing countries having similar economic problems) who entered into an agreement with IMF and World Bank for financial assistance to meet their fiscal challenges. The major programmes proposed in the package were a) unifying exchange rates, b) lifting restrictions on foreign import, c) reducing budget deficit, d)

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8 These reforms were mainly in the areas of industry, trade, exchange rate management, public finance and the financial sector (Dreze and Sen 1995; Dasgupta 2005).
cutting back expenditures on food subsidies, f) increase state revenue through new sales tax and g) privatisation of state owned enterprises (CSDC 2001: 25).

These policy changes further facilitated structural reforms in the economy in the form of industrial deregulation, trade and tariff policies, increasing opportunities for foreign direct investment, public enterprise reforms and new policies in the social sector. The main objective of these reforms was to re-orient the national economy by opening it to market-driven forces (Joshi and Little 1996). It is very clear that the conditions imposed were apt to build the foundation of a liberal economy and a market oriented development strategy.

Egypt had finished the first stage of SAP in 1993-94 with the introduction of policies to stabilise the economy, minimise inflation, reduction of budget deficit, and to control the Balance of Payments (BOP) crisis. The privatisation of public sector enterprises was started immediately. The economic indicators show that these policies were successful in attaining macroeconomic gains (Koptuich 1999). Similar to Indian experiences, this was also achieved with high 'social cost that severely affected the standard of living of poor people.

It is relevant to examine how far the SAP - the core component of globalisation - is important in the social development debates of developing States in general. It is a general understanding that financial globalisation and increase in transnational flow of capital facilitated by SAP have redefined the role of nation states in social development (Beeson 2003; Rudra 2002). Critics argue that SAP rules out the possibilities of economic and social management by the State largely by various types of deregulation, social distribution of resources and marketing, getting rid of process controls, elimination of investment controls, fiscal compressions, cutbacks of public provisioning of social services, etc. Further, it reduces the economic and social role of the State by narrowing the States’ arena of responsibility by targeting public services and social security. (Holton 1998; Stglitz 1999a: 2002; Hoogvelt 1997) Consequently, the State’s intervention was adversely affected in the social sector.

It is evident from the experiences of Egypt and India (also various other developing States) that the process of liberalisation created imbalances between regions and different social classes in the domestic level. In Egypt, the provision of
social safety nets was destabilized and income inequality has amplified. Subsidy cuts and import restrictions led to a sudden decline in public spending which ultimately led to the decline in the standard of living of the people. This study attempts to examine the level of social development in the context of globalisation and neo-liberal policies initiated by India and Egypt and to build a comprehensive understanding on their experiences.

III Continuity and change in the globalisation debates

Historically, globalisation covers three distinct, yet interlinked processes. Firstly, shaped by European imperialism and colonialism, a global States’ system had developed from the sixteenth century. This produced governments and States around the world based on Western models, whether presidential, monarchical or Marxist. Secondly, a global capitalist economy began to develop, which served to divide the world economically into ‘core’, ‘intermediate’ and ‘peripheral’ areas. Thirdly, from the eighteenth century, both political and economic globalisations were underpinned by technological and industrial revolutions that collectively influenced global patterns of industrialisation and communication.

Held and McGrew (1999) emphasize on four types of changes that characterise contemporary globalisation. First, it involves the widening of social, political and economic activities across frontiers, regions and continents. Second, the increasing level of interconnectedness and flow of trade, investment, finance, migration, culture, etc. that marks it. Third, it can be co-related to the speeding up of global interactions and processes. With the development of worldwide systems of transport and communication the velocity of the transmission of ideas, goods, information, capital and people increases. Fourth, the growing extensity, intensity and velocity of global interactions can be associated with their deepening impact such that...

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9 These are broadly identified as three general phases in which one can develop a general idea of the way globalisation operates within a broad framework. For details see Held and McGrew (1999).
10 The formation of state system in the present form had taken place in the year 1648 A.D by the signing of the treaty of Westphalia. Since then, interdependency developed in the international system especially in security related matters. Later, this has expanded to other fields also, especially economic and trade relations.
11 It was States and theocracies that were the central agents of globalisation in the ancient period. But today, Multinational Corporations have taken this role by playing a central role in the production and distribution of cultural products (entertainments, music etc.) in a global scale.
the effects of distant events can be highly significant elsewhere and specific local developments can come to have considerable global consequences.

It is noticeable that the term globalisation had been used widely in academic writings in the 1960s and '70s, but has been used since 1990s with a special connotation. The worldwide crisis of state socialism and the spread and consolidation of capitalism has created a different situation that emphatically arranged the new context since late 1980s and '90s in which the discussions were held widely. This new global situation has much significance in the present study. The power and influence of trans-national corporations have increased many folds. Some of them have accumulated wealth that even surpasses many national economies. The new reforms introduced worldwide have given them great freedom to shift finance capital and productive processes around the world. Because of the growing magnitude of global flows, States and societies become increasingly entangled in worldwide systems and networks of interaction.

Some try to understand globalisation as a natural, inevitable and technologically driven process that increases economic and political relations between people of different countries and areas (Held et al. 1999; Scholte 2000; Sen 1995; Falk 1999). To others, there is a much deeper concern about the related challenges and potential risks associated with the phenomenon. However, there are sharp differences among the participants of the ongoing debates on globalisation on various aspects of the phenomenon since there is no single accepted definition to the term.\(^\text{12}\)

Many social theorists consider globalisation as a process linked to the expansion of social interconnectedness across geographical and political limits. Globalisation refers to those processes whereby geographically far-away events and decisions influence, to a growing degree, regional and local developments. Though the degree and impact of the human activity might vary, geographically detached

\(^\text{12}\) For example, in Geography globalisation is identified with everything that can be anchored in space. In Economics, the debate on globalisation has concentrated on trade, money, corporations, banking and capital. In Political science globalisation debates concentrates more on issues like governance, war, peace, IGOs and NGOs as well as the character of regimes. Sociologists discuss it in the light of communities, conflict and classes. In Anthropology, globalisation studies emphasise on the overlapping, adapting, clashing and merging of cultures (for details see www.editiondesign.co.uk/fgf/knowledge/article007.htm).
events could have a comparatively minimal or a far more wide-ranging influence on events at a particular locality (Held et al. 1999).

Karl Marx had formulated the first theoretical explanation of the logic of territorial compression. In Marx’s account, the vital of capitalist production inevitably drove the bourgeoisie to ‘nestle everywhere, settle everywhere, and establish connections everywhere’ (Marx 1979: 476). The seed of industrial capitalism constituted the most basic source of technologies resulting in the eradication of space and helping to cover the way for ‘intercourse in every direction, universal interdependence of nations’, in contrast to a narrow-minded provincialism that had plagued humanity for untold eons.

Marx further expanded his views on technology with a positive stance. ‘Despite their problems as instruments of capitalist exploitation, new technologies have increased possibilities for human interaction across borders and ultimately represented a progressive force in history. They provided the necessary infrastructure for a cosmopolitan future socialist civilization, while simultaneously functioning in the present as indispensable organizational tools for a working class destined to undertake a revolution no less ignorant to traditional territorial divisions than the system of capitalist exploitation it hoped to take apart’ (Marx 1979).

It is Martin Heidegger (1971), the German social theorist and philosopher, who anticipated contemporary debates on globalisation. Heidegger clearly forecasted the capability of new communication and information technologies to generate fresh possibilities for expanding the scope of virtual reality. He has illustrated the phenomenon of ‘abolition of distance’ as a constitutive feature of present era. This is related to recent shifts in spatial experience to the fundamental change in the temporality of human action. In his words,

All distances in time and space are shrinking. Man now reaches overnight to places which formerly took weeks and months of travel...Distant sites of the most ancient cultures are shown on film as if they stood this very moment. At the peak of this, elimination of every possibility of remoteness is reached by television, which will soon pervade and dominate the whole machinery of communication (Heidegger 1971: 165).
Even if social theorists have gone beyond the comparatively underdeveloped character of earlier reflections on the compression or eradication of space to offer a rigorous conception of globalisation, major differences continue about the specific nature of the fundamental forces behind globalisation. There are differences even among the scholars in Marxist tradition while approaching the notions on globalisation. When David Harvey (1989 & 1996) builds his version directly on Karl Marx’s pioneering explanation of globalisation as the spread of capitalist mode of production and technology all over the world, Anthony Giddens (1990) and Held and McGrew (1999) question the element of limited focus of Marxist approach on economic factors in their studies on globalisation.

Regarding its social dimension, critics of globalisation pronounce a pessimistic view of globalisation and emphasise on aspects like oppression, exploitation and injustice inherent in the process. They argue that the features of globalisation like restructuring of global trade, production and finance innately disadvantage the poor in the developing States. In sum, they see globalisation as a source of increased international instability and insecurity. On the contrary, the supporters of globalisation consider it as a force of progress, which enhances the process of modernization, human freedom, wealth and happiness by generating many new opportunities (Kellener 2002). They defend the logic of capital, competition and free market, which can strengthen the national economies and thus build up infrastructure for social development in the developing countries.

The observation made by Friedman (1999) has relevance in this context. To him globalisation was not just a passing trend; rather it was an overarching international system shaping the domestic politics and foreign relations of virtually every country. However, the complexity of the process and its extensity need to be addressed to understand globalisation in the wider context of socio-political developments that have taken place in the developing countries, especially since 1990s. A comprehensive understanding on the impact of globalisation on social development of the developing states makes it clear that it has created impacts that are more negative. This study elucidates that the increasing disparities in the social distribution of resources in countries like Egypt and India underlines this fact.
III 1. Social development and globalisation

The complex nature of globalisation raises new challenges in the realm of social development. The change in the role of state from an active participant in national economy and social development programmes to the facilitator of private sector in such activities had a serious impact on social development. The economic reforms introduced as a part of globalisation fundamentally aimed to achieve economic growth through financial consolidation. The government spending with low priorities to social development and the failure of the state to convert economic growth into the total welfare of the people were two major issues in social development in the developing countries during 1980s.

The erosion of the autonomy of state is one of the major debates in the context of increasing involvement of the non-territorial capitalist forces in the economy of nation States (Held and McGrew 1992; Falk 1994; Strange 1996; Scholte 2000; 2005; Clark 2001a; Rudra 2002;). What is evident today is that the internationalization of capital and the new paradigm of market-led development have reduced the role of the state in economic and social sector. The role of the state altered from being the major player in the economy to ‘a partner, catalyst and facilitator’ of globalisation and market economy (World Bank 2001). Consequently, many new agencies have entered the sphere of social development in order to fill the vacuum that was formed by the retreat of State. In short, it has strengthened the role of non-state actors both in national and international spheres.

The sudden entry of market forces has created a crisis in the social sector of most of the developing countries and it is reflected in the form of increasing inequality and the marginalisation of the deprived. The decrease in the social sector expenditure, reduction of subsidies and the gradual withdrawal of the State from social welfare policies were the direct fallout of such a change in the development orientation in developing countries.

It is pertinent to add that the imbalance between economic growth and social development has remained unchanged even in the midst of high economic growth. This is reflected in India and Egypt in the form of increasing inequality in the distribution of wealth, increasing poverty, unemployment and ever-deteriorating
condition of women and other weaker sections (Dallimayr 2002: 137-38; Sen 1996; Papola and Sarma 2001; Nasser 2002a; Radwan 2002). Briefly, the new policies and programmes introduced as part of the neo-liberal agenda has reduced the role of State and public sector in social development and consequently, this changed the entire dimension of social development in the developing/third world States. The popularisation of concepts like social capital and participatory development as well as the entry of institutions like private sector and Non Governmental Organisations (voluntary groups) in the debates of social development may be understood in this context.

It is vital to note that the concept of development has been thoroughly re-examined as part of the globalisation debates leading to the espousal of many new approaches. A sizable number of scholars (Kothari 1999; Korayem 1993; Sen 1995; 2000, Bagchi 1997; Sreekumar 2004) recognised that development is a complex whole of economic, political, social and administrative process. In their opinion, though development is an economic phenomenon, it is socially conditioned and has significant social consequences. Both quantitative and qualitative aspects of social development have undergone meticulous deliberations and reassessment. Classical model of development-growth paradigm that emphasise on the rate of growth of capital, and the Marxist model, which emphasise on social, cultural and political aspects have been thoroughly re-examined in this context. The new wave supported ideas like advancement and progress have linkages with the transformation in institutional and social structures as well as popular attitudes. This aspect has utmost significance because globalisation facilitates many new institutional and social changes within and beyond the geographic borders of nation states (North 1990).

The studies conducted by United Nations Research Institute on Social Development (UNRISD) have popularised development in terms of structural changes rather than human welfare. However, the Human Development Index method emphasises more on purchasing power, life expectancy and literacy as the indicators of social development. The understanding of underdevelopment also has been

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13 Institutional changes generated by globalisation are reflecting in issues like modifications in state policies, in industrial organization, in the regionalization of States and in the administration of laws and regulations that govern the behaviour of economic agents.
redefined, as it is a sense of personal and social impotence in the face of disease and death, confusions and ignorance.

In the present study, the origin of the concept of ‘social capital’ and its development as a key player in the social sector in the new context of trade liberalism as a substitute to the State is analysed. The concept has its root in the debates of early twentieth century and its status has been fixed as the key theme in the development package of World Bank in the last decade of 20th century (World Bank 1998a; 1998b). Consequently, social capital has become an inseparable part of social development debates all over the world. This study has given a special emphasis to the problems and significance of the concept in the socio-economic and political realm of Egypt and India.

III 2. Changing development strategy: Social development and Social capital

In connection with the ongoing debates in development, the concept of social capital emphasizes on certain features of social organization such as networks, norms and social trust that facilitate coordination and cooperation among people and within societies for mutual benefit. In other words, it is the aggregate of actual or potential resources, which are linked to ownership of a durable network of relatively institutionalized relationship, mutual association and recognition. It is the key concept for analysing social networks (Wulf 2004). Peoples’ participation in socio-political arena through village committees and development associations to promote social development has utmost importance in the whole debate. Precisely, the alternative models of social development are largely concentrated in social capital building.

The concept of social capital has been developed through the writings of many social scientists such as Hanifan (1916), Eva Cox (1995), Schultz (1961), Coleman (1988), Putnam (1993; 1995; 2000) and Bourdieu (1972; 1986); each emphasised on different aspects of the concept. Hanifan emphasized on the importance of committee involvement in education (Hanifan 1916). Bourdieu, the major theorist of social capital, defined it as ‘the structures and processes that facilitate the power and privilege’ (1986; 1935: 242-3). It is the cumulative of the actual or potential resources linked to possession of a durable network of more or less institutionalized relationship of mutual social contact and recognition. His studies emphasised on the relations
among classes and groups which could enhance social capital in a society. Schultz (1961) emphasized on the attributes of human beings such as education, job, skills and health that he considered social capital. While Coleman emphasized on rational action and relations among individuals, Putman focused on social organisation and the functions of democracy in their analysis of social capital.

By moving a step ahead of all these conceptual traditions, the global institutions like World Bank and IMF propose the concept ‘social capital’ to achieve sustainable development or the balance between social welfare, economic development and conservation of natural resources in the global level. They emphasized on building/strengthening social capital as a mechanism to address the issues of social development such as unemployment, poverty and marginalisation of weaker sections. The World Development Reports – 1999/2000 and 2000/2001 have given special emphasis to social capital (World Bank 2001: 128). The WDR 2000/2001 emphasises on the importance of the building of social institutions in the creation of social capital. It emphasizes on the bonding, bridging and linking of social capital through connecting family members, neighbours and local organizations and linking them with formal organisations in a society.

According to World Bank,

Social capital refers the networks and relationships that both encourage trust and reciprocity and shape the quality and quantity of societies’ social interactions. The level of social capital has a significant impact on a range of development processes. For example, in education, teachers are more committed, students achieve higher test scores and school facilities are better used in committees where parents and citizens take an action interest in children’s educational well-being. In health services, doctors and nurses are more likely to show up for work and to perform their duties alternatively where their actions are supported and monitored by citizen groups (World Bank 2000: 6)

As far as applying this concept in the wider context of development like rural development, World Bank observes:

In rural development, villages with higher social capital see greater use of credit and agrochemicals and more village level cooperation in constructing roads. Social capital serves as an insurance mechanism for the poor who are unable to access market based alternatives. It is therefore important to facilitate the creation of new networks in situations where old ones are disintegrating (World Bank 2000: 6).
Of late, Nan Lin has developed a more individualistic concept of social capital. For Lin it is ‘Investment in social relations with expected returns in the market place’ (2001: 19).

Although the ideas related to social capital can be routed back both to Marxist and the communitarian tradition, the recent organisational and managerial interest over the concept seems to pay no attention to such conflicting philosophical traditions. The Marxist conception of social capital popularised by French sociologist Bourdieu (1986) perceives it as an explicit form of capital. For him, it has to be studied in relation to economic and cultural forms of capital.

These relationships play a role in the reproduction of classes and investment in membership in a prestigious club builds a sort of social capital, which might be converted into economic capital. For Bourdieu, social capital is not an element of society as a whole, but it is an aspect of the differentiation of classes: that is, an instrument of power. This argument put forward by Bourdieu becomes increasingly important in knowledge-intense economies. Like all forms of capital, social capital is also accumulated labour.

The communitarian tradition, against the conflict perspective of Bourdieu, is stemming from American social scientists such as Etzioni (1993; 1995) and Putnam (1993; 2000). In this perspective, it is the community structures, not individual or organization, act and provides the key frame of reference because social capital is community-centred. Communities in turn are seen as voluntary social units that encourage harmonic development of organizations and society as a whole. The perspective highlights the idea that ‘we know what we know through our relationships with others in the community’ (Etzioni 1993). In fact, this communitarian perspective on social capital largely overshadows topics like power issues, class struggles and conflict which are important concerns in the Marxist tradition (Wulf 2004).

As we have seen, by the late 1990s, the concept became highly fashionable, the World Bank even devoting a crucial research programme on it. As per the World Bank study, ‘increasing evidences show that social cohesion is critical for societies

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19 Network means that everyone is connected with everyone in the group. Bourdieu has highlighted this in the book Theorising Social Capital (1986).
20 Here the concept community was studied not just from an ‘objective’ sociological viewpoint but also to offer the society with a normative, organizational means for revitalizing democracy.
whereas this did not contribute anything to social development. The social cost of SAP, which is highly relevant in the context of developing countries, has always received a reduced amount of attention in all such spheres of policymaking. Prominence of social capital in the new debates on social development is to be understood in this context.

IV Organisation of the study

Given this background, this study intends to analyse the changing role of state in the social sector with a special emphasis on social development policies and structural adjustment programme in Egypt and India especially in the 1990s, within the wider framework of globalisation and SAP. It explores the impacts of the policy changes in the wake of globalisation and liberalisation. It is clear that the neo-liberal agents like market and the non-governmental organisations have seized the space that state deserted in the social sector.

iv 1. Objectives of the Study

The major objectives of this study are,

1. To undertake a comparative analysis of the patterns of globalisation and social development in India and Egypt during the period 1991-2001

2. To examine critically the mutual relationship of globalisation, social development and social capital in the newly emerging development paradigm

3. To discuss the importance of the nature of political structure and its impacts on social development

4. To discuss the impact of globalisation on the role of state in social development of Egypt and India

5. To examine the impacts of institutional changes on social development of India and Egypt

6. To examine the relevance/applicability of the concept of social capital in the post liberalisation social development strategy of Egypt and India
7. To study the relationship between social development and economic growth and the impact of free market regime on distribution

8. To analyse the obstacles and policy imperatives of the neo-liberal development model

iv 2. Theoretical framework

The conceptual roots of globalisation and social role of the State can be traced back to the advancement of modernity debates that led to the popularisation of the concept of welfare state (Giddens 1990). The western civilisation developed on the foundation of industrial capitalism was the agent of globalisation that brought human species into a single political economic and cultural system (Scholte 2001: 18). The historic failure of the socialist project and the expansion of capitalist economic system were the two major developments that led to the spread of market economy to the non-capitalist world and eventually intensified the uneven development.

Since 1980s, and particularly with the end of the Cold War, the doctrine of market liberalism, under the labels of “Thatcherism”, “Reaganism”, “Neo-liberalism”, “Washington Consensus” and “Post-Washington Consensus”, has started dominating the development debates of the world shifting attention away from its capitalist core. Neo-liberals have insisted that the new technological advances in communication and transportation made it both inevitable and desirable that the world economy to be integrated through expanded trade and capital flows and the acceptance of the Anglo-American model of free market capitalism.

The present study approaches the whole question of social development in the developing countries within the neo-Marxian framework because such a framework is found suitable to address the complex political, economic and social dynamics of hegemonic globalisation. The dependency theory – a first generation theoretical approach of development in the neo-Marxist school – is still significant in understanding the socio-economic developments of former colonial States. Neo-Marxists have pointed out the nature of contemporary globalisation that is predominantly the expansion of global capitalism.
Since the second chapter of the thesis is solely on theoretical aspects, only a very brief overview of various theoretical traditions on development is presented in this part by keeping globalisation - social development dyad in mind. It is important because, for neo-Marxists, the process of globalisation is coupled with the growth and spread of capitalist relations of production in the periphery states of world capitalist system.

The idea of globalisation can be traced in various theoretical traditions in international relations and political economy. The liberal/neo-liberal and Marxist/Neo-Marxist theories have significantly contributed to globalisation debates especially in the postcolonial world. Of late, the modernity paradigm under which the globalisation - development discussions accelerated itself has been thoroughly re-examined by the postmodernists and feminists. They problematised certain aspects like the relevance of the marginalized, specifics of the Third World and limits of global thinking that became pertinent while discussing the social development of developing countries. Post-modern and feminist thinkers emphasise on exclusion of more than half of the people in the world who are historically neglected from the mainstream development debates and still live in the country sides of Third World.

Modernity in the later period represented the intensification, acceleration and increased reach of capitalism - and its production, distribution and consumption patterns. This approach is primarily a western notion that was supported by both Marxists and liberals (Habermas 1987). Both agree to the point that market has an inherent ability to spread around and so that the capitalist pattern of development ultimately penetrate into the world beyond its origin (Linklater 1990).

The Marxist reading of world market is one of the well-established conceptualizations of globalisation. In this connection, the world system theory of Wallerstein (2000) made an effort to understand the dynamics of modernisation. With a Marxist understanding, world system theorists and dependency theorists argued that globalisation is the expansion of capitalist mode of production and production relations across the globe. The developed capitalist States stay at the core of world system and supported dominant class interests as they exploited labour resources and trade opportunities in the developing and undeveloped States that are at the periphery of the system (Lechner and Boli 2004: 55-57).
The *Great Transformation* of Polanyi (1957) provides a powerful critique of market liberalism especially on the argument that the global economy and national societies can be organized through self-regulating markets. Polanyi has highlighted that economy is not autonomous but subordinated to politics, religion, and social relations (Polanyi 1957; Block 2001). Even when economists acknowledge that the market system sometimes need help from government to overcome market failure, they still emphasis on the conceptualization of the economy that it is a balancing system of integrated markets. In his studies, Polanyi argues that this conceptualization fluctuates from the reality of human societies throughout recorded history where the economy was always embedded\(^{15}\) in society. This was the natural course in economy until 19\(^{th}\) century before liberals consciously propagated an artificial market regulation theory (Polanyi 1957).

As part of the Neo-Marxist tradition, the critical theorists have developed a perspective on globalisation that is emphasising the emancipatory character of globalisation (Burchill et al. 2001). They attempted to reconstruct the ideals of enlightenment and modernity within a global universal framework created by social movements and trans-national civil societies (Paolini 1997). Cox’s (1986: 1987) emphasis on the importance of social forces has attracted special attention in this regard.

According to many scholars, neo-liberal globalisation has drastic economic consequences for the more marginalized societies. Globalisation leads not to homogenization between and within first world and third world, instead, it increased differentiation between the haves and the have-nots in the global system, with the gap likely to increase as globalisation intensifies (Bauman 1998; Paolini 1997: 49). The debates on social development attract much attention in this context.

According to Chesneux (1992), modernity is an interlocking process of tradition, resistance, difference, hybridity, change and appropriation in the Third World because more than half of the people still live in the countryside. Neo-Marxist discussions also highlight this aspect by focussing on 'peripheries' and 'satellites' in the world capitalism. The post-modern discussions are focussing on those who are

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\(^{15}\)The term ‘embeddedness’ expresses the idea that the unlike the projection in theory, economy is not an autonomous one.
outside’ of or ‘other’ to modernity in their attempt to problematise the issue of marginalisation under globalisation.

When modernity represents certain processes of change/transformation of society and economy influenced by capitalism, late modernity represents the intensification, acceleration and increased reach of the same capitalist processes of production, distribution and consumption. Post modernity raises the complex political and social relations with an understanding of contemporary political space as increasingly the invocation of globalisation.

An analysis of the concept of social capital, its applicability and impacts on countries under discussion are very relevant in developing a proper understanding about the role/relative impact of political structure on new development models proposed by the agents of global capitalism. One can surmise that it is the failure of the market to support social development in the developing countries than the failure of the state that has prompted the popularisation of certain such new measures by international institutions like World Bank and IMF. Conversely, new measures like social capital are essentially an outcome of the recognition of the inherent inability of the market to address the social crisis created by neo-liberal policies.

Neo-Marxists consider the concept social capital, which was proposed as an alternative to state in social development by World Bank, as only an agent of world capitalist system (Harris 2001). By using this in the debates on social development in the developing States, the international institutions try to neutralize the development debate. They are neglecting the class understanding based on conflicting interests of different classes developed by Marxism. Neo-Marxian approach to globalisation always tries to explore this particular character of capitalist forces.

iv 3. Survey of literature

The source materials used in the study are mainly falls under four categories. Firstly, the writings of scholars - mainly books and articles - on globalisation and social development and on social capital that has been used to study and develop a clear understanding of such concepts and their various manifestations in the contemporary debates. Besides, various studies done under the auspices of international organisations like United Nations and its subsidiary organisations, IMF and the World
Bank are also used, since these organisations have given immense contribution to the development and institutionalisation of such concepts at the global level. Secondly, the writings of various scholars on the Indian and Egyptian experiences vis-à-vis globalisation and social development have been used to contextualise the issue in the States under study. Thirdly, different development reports which deal with socio-economic development published by various international agencies and the studies conducted based on such reports are also used to develop a comparative perspective. Fourthly, the reports specifically on social and economic development of India and Egypt published by Egyptian and Indian governments and other agencies and research organisations have been used. Though the social indicators/data used is of the period under study - 1991-2001 - some data from the period before 1991 and after 2001 is also used to compare the effects of specific programmes.

The conceptual development of Globalisation through the writings of various scholars is a major development that took place during 1980s and 1990s. Karl Polanyi’s, *The Great Transformation* (Boston 1957) is one of the earliest works which questions the very concept of market regulated economy. The work is useful in the study since it has developed a legitimate criticism on free market economy, which is very relevant in developing a theoretical understanding of globalisation and social development debates of our time.


The book written by John Harris (2001) De-politicising Development: The World Bank and Social Capital, (New Delhi: Left Word) is a critical study of the concept social capital as well as the new social development models based on this. The book points out the limitations of the concept in addressing development issues of the developing countries. Similarly, Ben Fine's (2000) Social Capital Verses Social Theory: Political Economy and Social Science at the Turn of the Millennium (London: Routledge) is also useful in the present study since it critically interrogates social capital, political economy and various debates on social development in a
detailed manner. The transition of development debates from Washington Consensus to Post Washington Consensus is also discussed thoroughly in this book.

The book, *Capitalism in the Age of Globalisation: The Management of Contemporary Society*, written by Samir Amin (1997) studies the problems in capitalist development such as polarization and marginalisation of the poor and peasant masses. Similarly, the book written by Douglas North (1990) *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press), and Daniel Chirot (1977) *Social Change in the Twentieth Century* (New York: Brace and Jovanovich) are also presenting an in depth analyses of the process of change and its social implications. This aspect gets a particular attention in the present study since the study concentrates on the institutional and structural changes and their impacts on social development.


Mark Beeson (2003) in “Sovereignty under Siege: Globalisation and the State in South Asia” (*Third World Quarterly*, vol.24, no.2) explores the impact of globalisation on the sovereignty of the state in south Asia. It is a relevant study in contextualising the changing role of state in the era of globalisation. Amit Mitra’s article “Globalisation and Sustainable Development” (*Seminar*, no. 507, 2001)
problematising the concept of sustainable development in the wider context of globalisation - social development debates. Both these articles are much useful in studying the issue of state and patterns of globalisation in this study.

The social issues of new development model has been thoroughly explored in the studies of Eric Thorbecke and Chutatong Charumilind, “Economic Inequality and its Socio-economic Impact” *World Development* (vol.30, no.9, 1997) and Peter Ravallion “The Debate on Globalisation, Poverty and Inequality” *International Affairs*,(vol. 79, no.4, 2003) in the wider global context.

The articles used in the study to analyse social capital such as “The Puzzle of Social Capital: A Critical Review” written by M. G. Quibria (*Asian Development Review*, vol.20, no.2, 2003), “Enhancing Political Participation in Democracies: What is the Role of Social Capital?” by Anirudh Krishna (*Comparative Political Studies*, vol. 35, no.4, May 2002), and “Social Capital and Civil Society” by Fukuyama, the paper delivered at the IMF Conference 1999 on Second Generation Reforms (Washington, IMF Institute and the Fiscal Affairs Department) are relevant in the present study since they present certain theoretical as well as practical aspects of the new development model in dealing with social development issues.


A gender based development analysis has a significant place in the contemporary social development debates. The book published by United Nations *World Survey on the Role of Women in Development, Globalisation Gender and Work* (New York, Economic and social Affairs, 1999) and the articles of Nelson, Cynthia

The impact of Globalisation on Social development programmes of Egypt and India is an important aspect of the current study. Many books have already been published and some of them used in the study and related to Middle East and Egypt, are the books written by Laura Guazzone *The Middle East in Global Change: The Politics and Economics of Interdependence Versus Fragmentation* (London: Mc. Millen 1997) and Henry M. Clement and Robert Springborg, *Globalisation and the Politics of Development in the Middle East* (Cambridge: Cambridge University Press 2001). These books give us a comprehensive view of the experiences, problems and prospects of the States in the West Asian region in general and Egypt in particular in the social development during globalisation.


Fergany’s book on employment in Egypt, *Recent Trends in Participation in Economic Activity and Open Unemployment in Egypt* (Research Notes No.10, Cairo, Almishkat Publishers, 1995) is a scholarly work that analyse the issue of unemployment in Egypt. Similarly, the articles published in the volume *Facing Social Consequences of Structural Adjustment in Latin America and the Arab World* edited
by Mustapha Kamal al Sayyid (Cairo: CSDC, 2002) also contribute to the development of a definite understanding of various social issues emerged along with liberalisation and economic reform.


The article, “Activism and Social Development in the Middle East” (*International Journal of Middle East Studies*, vol. 34, no. 4, February 2002: 1-28) written by Asef Bayet, gives a general picture on the pattern of social development in the region, including the policy changes in different times. The article raises some important questions like why is the region a blank space in the global map of committee action. The article is useful in our study by providing a clear picture on the problems and prospects of participation of people in development and the importance of such a model.

The articles which are used in the study to develop an understanding of the socio-economic development and globalisation in Egypt are, “Major Determinants of Economic Development in Egypt 1977-97” written by Galal Amin in *Cairo Papers in Social Sciences*, vol.21, no.3, 1998: 19-49, “Egypt in the Time and Space of Globalism” written by Raymond William Baker (*Arab Studies Quarterly*, vol.21,


The scholarly works of Nabil Khoury, and Valentine Moghadam (eds.) (1995) Gender and Development in the Arab World: Women's Economic Participation – Patterns and Policies (London: Zed Books) and T.S Papola and Alakh N. Sarma (eds) (2001) Gender and Employment in India (New Delhi: Vikas Publishing house) are discussing the gender related development issues in Egypt and India respectively. The books discuss certain micro-economic issues, which are directly related to the question of gender differentiation in employment and discrimination in developmental activities.

The articles used in the study to explore the Indian experiences in Globalisation and social development are, “India: State of the economy” written by


The National Development Reports published in Egypt in different years are major source materials for the study. The most important among them are the various issues of *Egypt Human Development Report* published by Institute of National Planning (INP). The Report *Population of Egypt in the 20th Century*, the *Demographic Survey* Published by Cairo Demographic Centre (CDC) is a rich source of data on various social indicators of Egypt, which are highly useful for the study.

Central Agency for Public Mobilisation and Statistics (CAPMAS) is another important Agency in Egypt, which conducts regular surveys on various social issues in Egypt and produce data and reports on a regular basis. *Census Data, Labour Force Sample Survey* and education surveys are some of the major ventures of the agency. The report published by *Centre for Studies in Developing Countries* (CSDC) at Cairo University is another major source material, which gives authentic data and quality
analyses. The data published by CAPMAS, NIP, CDC and CSDC in various years have been extensively used in this study, especially in the analyses of social development in Egypt.

The Annual Economic Surveys, Sample Surveys, Census data and the report of different government departments are the major official sources available in India carrying useful data on social development in India. The India Development Report published by IGIDR and Social Development Report published by Institute of Social Development are two important unofficial sources, which provide data and useful analyses on social development in India. The report on Central Government Subsidies in India published by Department of Economic Affairs (2004) shows the trends in subsidies for social development. The reports and data of concerned ministries in India – Labour Ministry, Human Resource Development Ministry, Health Ministry, Social Development Ministry, etc. - are highly useful for this study since they provide data on various aspects of social development.

Besides the development reports of the concerned States, there are many annual reports available which publish useful data on the States under study. Most important among them are: United Nations Human Development Report (published by UNDP), World Development Report (published by World Bank), World Development Indicators (published by IMF), Arab Development Report, Asian Development Report (published by ADB), Report on Human Development in South Asia (published by Maqbul Haq Human Development Centre). Similarly, the United Nations Research Institute of Social Development (UNRISD) brings out many studies on the issue of social development on its member countries. Besides the annual reports, World Bank conducts many studies and publishes several reports and articles regularly on various issues related to social development. Globalisation, Growth and Poverty: Building an Inclusive World Economy (Washington DC: World Bank, 2002) and Egypt: towards a More Effective Social Policy: Subsidies and Social Safety Net (World Bank: Social and Economic Development Group for Middle East and North Africa) are two such important works which has been used in this study. All these reports carrying data on socio-economic development of the countries under study and such data has been used extensively in the current study to compare social development in Egypt and India.
4. Methodology

Measuring globalisation and social capital in purely quantitative terms is difficult since these are qualitative, even though the quantitative elements are not negligible. Several attempts have been made by various national and international institutions to approach the term in quantitative terms. But as it is evident, all such attempts have failed to expose the ground realities in relation to social development. The major problem in this regard was that the distributional aspects of development were totally neglected in such efforts. Similarly, many criticised that the empirical studies on social capital seems to be barely credible due to incomprehensible explanation of concepts, poorly measured data, unfavourable exchangeability conditions and lack of authentic information which are mandatory to prove claims satisfactorily (Durlauf 2002: 474).

The key concepts/variables in social capital debates such as trust, reciprocity, community and networks are not quantifiable because any attempt to measure the properties of such inherently uncertain concepts would be problematic. Similarly, even the most comprehensive definition of social capital is multidimensional which incorporates various levels and units of analysis. Still, many studies have developed useful alternatives to assess social development in connection with social capital by using different types and combinations of qualitative, comparative and quantitative research methodologies (Woolcock and Narayan 2000). Gradually, a few researchers have identified certain methods and tools to quantify and qualify social development.

The current study is not purely a quantitative one, though empirical data of social development of Egypt and India has been used in chapters IV and V to assess the comparative performance of these States in the social sector. The study is focusing on trend analyses, as far as the social development in Egypt and India is concerned. Comparative and analytical method has been followed in the study. One of the major objectives of the study is to develop an understanding on the process of interaction or the response of the state to globalisation. A comparative analysis of the development indicators of Egypt and India, which are presented in different Development Reports and Socio-Economic Surveys, is useful to understand the dynamics, variations and effectiveness of the policies and programmes for social development put forward as part of globalisation.
In this connection, socio-economic indicators from World Development Reports, Human Development Reports of the concerned States and various other significant reports and studies conducted by national and international institutions which deals with the social sector of India and Egypt has been used to analyse the trends to develop a general understanding on the pattern of social development under globalised regime. The reports of different regional and international organizations and the official documents of these countries also used as primary sources. Similarly, the studies of World Bank on social capital are helpful to understand the problems and prospects of the concept and its relevance in social development in a liberalised world. Field visits and interaction with Egyptian and Indian scholars who study on social development have given useful insights to approach the subject.

iv 5. Hypotheses

1. Globalisation and the increase in trans-national flow of capital imply a major redefinition of the role of States in social development.

2. The state remains as the leading agency, which facilitates and mediates the flow and pace of process of globalisation and its impact on the society.

3. The capacity of a state to regulate globalisation depends largely on the nature of the ruling class and the form of polity.

4. Egypt and India had failed to achieve any significant progress in social development during the period, compared to economic growth.

5. The proposed strategy of trade-led growth instead of sustainable development has an overall negative impact on social development in Egypt and India.

6. The benefits of economic development achieved by the process of globalisation failed due to its in-built problems in the distribution sector created by the rules of trade and market.

7. The concept of social capital proposed by World Bank in conjunction with grassroot development has certain inherent deficiencies in the case of Egypt and India.
Chapter I Introduction

The chapter presents a broad outline of the study and briefly explains the major themes and concepts used in the current debate, while situating them within the broad framework of social development and globalisation. Besides a historic overview of the pattern of socio-economic development in Egypt and India is made. The chapter discusses the changing dimensions of the concept development and the linkage between social capital and social development in the new global context. A brief overview of the organisation of the study has also been included in this chapter.

Chapter II Globalisation and Social Development: A Conceptual Framework

This chapter explains the theoretical framework in which the study has been organised. A brief overview of the major theoretical positions on globalisation, development/social development and the new paradigm of participatory development have been prepared in this chapter. The chapter analyses different dimensions and theoretical positions on globalisation and social development. Similarly, a brief overview of the various scholarly positions on social capital – the new paradigm in social development- is given in the chapter to get a clear idea on the dynamics and dimensions of the concept. Major themes and variables of the concept social capital have been explained as well and the way different variables of social capital work in community development is discussed in the chapter. Several supportive and antagonistic views on globalisation and controversial positions on its impact on the social development of the developing States are presented in the last part of the chapter to contextualise the study.

Chapter III State and Patterns of Globalisation in Egypt and India

The impact of globalisation on the role of state in national economy and social sector is a major theme of debate in the contemporary world. It is very clear that the States are not individual actors in the present international system and therefore no state is naturally protected from the pros and cons of globalisation process. It is a well-known
fact that, the need of interdependence in a highly integrated global economy virtually makes it impossible for any country to keep itself away from the process of globalisation.

The process of state formation and the development of modern state system based on sovereignty and the character of state formation in India and Egypt are discussed in the first part of the chapter. State globalisation and political liberalisation, and structural adjustment policy and the role of state in social sector in the era of globalisation are some important themes discussed in the chapter in connection with globalisation. In this connection, the chapter discusses the ways in which the States respond to globalisation. The major shift appeared in the debates in social development - from Washington Consensus to Post Washington Consensus – and the newly emerging patterns in social development in this connection such as social capital and participation have been examined in this chapter. State structure and its impact on social development in Egypt and India has also been discussed in this chapter. Structure of the state and functioning of the system in totality has been given prime emphasis.

Chapter IV Structural Adjustment Institutional Changes and Social Development in Egypt and India

The chapter specifically discusses the developmental experiences of Egypt and India in a comparative perspective, in the context of their entry into globalisation. The focus of the chapter is to study and analyse the aspects of structural adjustment in Egypt and India with special emphasis on institutional and structural changes unveiled for smoothening the process of social development. The development of private market and free trade and the impact of such changes in the overall social development of the States get prime attention here. The Social Fund for Development in Egypt and various developmental programmes introduced in India are thoroughly examined in this chapter.

The most important part of the chapter is the comparative analysis of the general trends in social development in Egypt and India during the liberalisation
phase. The relevant social indicators of both these States help to reach to a general conclusion on the social development of the States during the period under study, 1991-2001. The major indicators used are education/literacy, health, poverty, and inequality in distribution of income and trends in unemployment. Particular attention has been given to gender disparities and rural urban disparities in development.

Chapter V Obstacles and Policy Imperatives

This chapter analyse how far the social concerns of state in issues like employment, distribution and other types of inequalities and social distribution of resources are affected by the new policies. It also discusses the main tendencies of structural adjustment policies in Egypt and India and evaluates such programmes and their impacts on social development. The major hurdles faced by the States and other agents in the developmental sphere have been given particular attention here. The question of gender disparities in neo-liberal development has also been given attention in this chapter. The role of development intermediaries in social development is another important aspect discussed here. The chapter throw light on the problems and limitations of the social policies designed under the neo-liberal development strategy. The chapter argues that the States faced many difficulties in implementing the new policies and these were harmful to a majority of the poor and underprivileged people in the countries under discussion.

Chapter VI Conclusion

The chapter make the concluding remarks of the study by keeping the objectives and hypotheses of the study. The importance of state in the distribution of resources has been reemphasised in the concluding remarks. The chapter reiterates how the neo-liberal development policies undermine the role of state in social development and how it further deteriorated the social conditions in Egypt and India.

Conclusion

The argument that globalisation of trade and commerce is ensuring higher rate of goods and services to people of developing States seems to be problematic. The
evidences from developing States in general, and India and Egypt in particular, show that a huge section of the people have been thrown out of market as they have become poorer. The developing countries realized the serious problems vis-à-vis distribution and handling the severe social inequality created by market economy only in the closing years of the twentieth century with the intensification of vertical poverty. Concentrating on the policy shifts and new programmes introduced in these States, the study explores the fundamental reason for this paradox.

The increasing collaboration between United Nations, WTO and the Breton Woods institutions on the one hand and the dominance of free market regime on the other hand created an identity for globalisation that it is a phenomenon put down on the developing countries by external forces. Generally, the experiences of the developing countries show that the hegemonic control of foreign capital has never been complementary to the interests of native people at any point in history. Those who seek to de-legitimise the state ignored the fact that market cannot be the mechanism for equitable distribution of resources. It is in fact the failure of market that forced the agents of neo-liberalism to introduce certain new measures (for example, social capital) to address the deteriorating social condition of these States.